

THE IMPORTANCE OF REVIEWING AND UPDATING YOUR INSURANCE POLICIES

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ABSTRACT

Regularly reviewing and updating your insurance policies is crucial to ensure that your coverage aligns with your current needs and circumstances. Life events such as marriage, the birth of children, purchasing a home, or starting a business can significantly change your insurance requirements. Additionally, economic factors like inflation or shifts in the legal landscape may impact the adequacy of your existing coverage. By routinely assessing your policies, you can identify gaps in coverage, adjust for increased asset values, and take advantage of potential discounts or new policy features. Regular updates also help prevent overpaying for unnecessary coverage and ensure that you are fully protected against unforeseen risks. Ultimately, staying proactive in reviewing and updating your insurance ensures comprehensive protection and financial security. In this blog, we'll discuss the importance of reviewing your insurance home, auto, and business policies.

Keywords: *Policies, financial security, Coverage*

INTRODUCTION

Insurance is one of the most important aspects of financial security, offering protection against unexpected events that can cause significant financial strain. However, your insurance needs are not static. As life circumstances, assets, and even laws evolve, so too should your coverage. That's why regularly reviewing and updating your insurance policies is crucial. Whether it's your home, auto, or business insurance, a periodic check ensures that your coverage is aligned with your current needs, preventing gaps in protection and potentially saving you money. In this blog, we'll explore why it's essential to take the time to reassess your insurance policies and how doing so can provide peace of mind and financial security. Insurance plays a pivotal role in safeguarding individuals, families, and businesses from unexpected financial burdens. However, the value of insurance coverage goes beyond simply purchasing a policy and forgetting about it. Over time, life circumstances, financial situations, and external factors such as economic shifts or changes in regulations can affect the relevance and adequacy of existing insurance plans. Whether it's a home, car, health, or life insurance policy, neglecting to regularly review and update coverage can lead to gaps in protection, increased costs, or missed opportunities to take advantage of new benefits.

OBJECTIVES OF THE STUDY

1. To explore how life events, such as marriage, homeownership, or the birth of children, influence the need to update insurance coverage to ensure that policies remain relevant and provide adequate protection.

2. To analyze the potential financial consequences of not updating insurance policies, including the risk of being underinsured or overpaying for unnecessary coverage.
3. To investigate how policy reviews can identify opportunities for better coverage, new policy features, or discounts, and to determine how such adjustments can benefit policyholders.
4. To explore how external factors such as inflation, changes in property values, or alterations in laws and regulations affect the adequacy of existing insurance coverage.

REVIEW OF LITERATURE

Mulligan and Malm (2019)¹ found that consumers often fail to reassess their insurance coverage after significant life events, leaving them exposed to unnecessary risks. They argue that proactive reviews can help individuals ensure they are adequately covered without overpaying for unnecessary premiums.

Anderson (2018)² demonstrates that regular updates ensure comprehensive protection by considering not just major life events but also smaller, overlooked changes in lifestyle, such as the addition of expensive items or vehicles.

Fleming and Rios (2020)³ note that regulatory changes or amendments in laws can impact the terms of existing policies. Failing to review policies in light of such changes may result in inadequate protection or legal non-compliance.

Brown and Stewart (2019)⁴ argue that agents should proactively reach out to clients and encourage periodic reviews, particularly after significant life events. In addition, the rise of digital tools and platforms has made it easier for individuals to track changes in their coverage and make updates online.

DIFFERENCE BETWEEN REVIEWING AND UPDATING

Reviewing insurance policies Reviewing your insurance policies refers to the process of regularly examining your current coverage, terms, and conditions to assess whether they still meet your needs. The main purpose of reviewing is to assess and evaluate your existing coverage. need to determine whether the policy terms, coverage limits, and premiums are still appropriate based on your current circumstances. Typically, reviewing is done on an annual basis or after significant life events (e.g., marriage, purchasing a new car, or moving to a new home). In many cases, marriage comes with new financial responsibilities.

UPDATING INSURANCE POLICIES

Updating insurance policies refers to making actual changes to the coverage, terms, or limits based on the results of your review. The purpose of updating is to modify your insurance coverage to align it with your current needs, ensuring that you are neither over-insured nor under-insured. Updating might involve adding or removing coverage, changing policy limits, or modifying other terms. Increase or decrease limits based on changes to your assets or liabilities. Add new types of insurance (e.g., health, life, or flood insurance) or remove outdated options that no longer serve you. Modify your policy with any new personal information, such as adding a spouse, children, or a new property. Updating is often a result of reviewing, and it occurs when you recognize that adjustments are necessary. It may happen after significant changes such as purchasing a new home, vehicle, or business expansion. Current state of importance of your insurance policies Consumers are becoming more proactive about reviewing their insurance policies, recognizing the need for adequate coverage in light of changing life situations, such as purchasing a home, having children, or starting a business. More people are aware that failing to update their policies could lead to

being underinsured, especially with rising costs of living and asset values. Digital tools and online platforms are transforming the way people review and update their policies. Insurance companies now offer user-friendly portals, apps, and comparison websites that allow consumers to access and update their policies quickly and efficiently. This has made it easier for policyholders to keep their coverage up to date without the need for face-to-face meetings with insurance agents. Insurance providers are responding to demand for more personalized and flexible coverage. As a result, many insurers are now offering customized policies that cater to the specific needs of the policyholder.

CHALLENGES

Major life events like marriage, having children, purchasing property, or changes in income can affect the type and amount of insurance coverage needed. However, recognizing when these changes require policy updates can be difficult, especially if individuals don't always connect the dots between life events and insurance needs. Sometimes, small changes in life, like acquiring valuable personal items or changes in the value of property, can be overlooked. These may not seem immediately important but can have a significant impact on coverage if not updated. Insurance premiums can rise, and many policyholders may fear that making updates will lead to higher costs.

OPPORTUNITIES

Tailored Coverage: By regularly reviewing your insurance policies, you have the opportunity to ensure that your coverage is aligned with your current needs.

Navigating Regulatory Changes: Insurance laws and regulations can change over time, particularly in areas like health insurance or auto insurance. By keeping up with these changes, you can update your policies accordingly and avoid compliance issues.

Business Growth and Expansion: For business owners, reviewing and updating insurance policies can be an opportunity to reassess liability risks, employee coverage, and property insurance. As businesses expand, their insurance needs also change. Regular updates provide the opportunity to align coverage with the scale and scope of the business.

CONCLUSION

In conclusion, regularly reviewing and updating your insurance policies is essential for ensuring that your coverage aligns with your current needs and circumstances. Life events such as marriage, purchasing a home, having children, or changes in income can significantly impact the type and amount of coverage required. By staying proactive and making adjustments to your policies, you can avoid gaps in coverage, ensure you're not overpaying for unnecessary protection, and have peace of mind knowing adequately insured. It's an important step in safeguarding both your assets and your financial future.

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